

CITY OF NORMANDY PARK
King County, Washington
January 1, 1992 Through December 31, 1992

Schedule Of Findings

1. City General Fund Administrative Charges To The City Sewer Utility Should Be Based On Actual Costs

During 1992, the General Fund received \$30,000 from the sewer utility to cover personnel administrative services incurred on behalf of the utility. The city council included a \$15,000 appropriation in the 1992 adopted budget for administrative costs. An additional \$15,000 was billed to the sewer utility for administrative costs related to revenue bond analysis work and preparation of the 1993 budget.

While it is permissible for the General Fund to bill the utility for administrative services, those charges should be based on the actual costs incurred. The amounts charged to the sewer utility were not based on a study of actual costs.

As no study of the actual costs was made, we were unable to determine whether the city is over or under charging the sewer utility for administrative personnel costs.

RCW 43.09.210 states in part:

All service rendered by, or property transferred from, one department, public improvement, undertaking, institution, or public service industry to another, shall be paid for at its true and full value by the department, public improvement, undertaking, institution, or public service industry receiving the same, and no department, public improvement, undertaking, institution, or public service industry shall benefit in any financial manner whatever by an appropriation or fund made for the support of another.

City officials were unaware that administrative costs charged to the sewer utility should be based on actual costs incurred.

We recommend city officials determine actual costs incurred by the General Fund in support of the sewer utility and use that as the basis for administrative services billed.

2. The City Should Comply With General Obligation Bond Covenants

In June 1992, the city issued \$500,000 in Limited Tax General Obligation Bonds for City Hall Park improvements and acquisition of property. We determined that the bond proceeds were not used in accordance with the bond covenants.

Bond Ordinance No. 552 Section 13 states in part:

. . . Amounts received as proceeds of the sale of the Bonds shall be deposited and applied as follows:

- a. To the Bond Redemption Fund shall be paid the amount received on the date of delivery of the Bonds as accrued interest on the Bonds, which amount shall be applied to pay the interest coming due on the Bonds on June 1, 1993; and
- b. To the General Fund the amount of \$128,019.82 for the City's share of the Open Space Acquisition Project purchase price and closing costs expended on June 1, 1992; and
- c. To the Parks Fund shall be paid the balance of the principle proceeds of the Bonds to pay costs of the Park Project and the Creek and Perimeter Project, together with all costs incidental thereto, including the costs of issuance of the Bonds.

The city received proceeds of \$494,856 comprised of \$7,350 for bond discount and \$2,206 for accrued interest. The city receipted \$344,856 and \$150,000 respectively to the City Park Construction Fund and the General Fund. The city did not transfer the accrued interest to the Bond Redemption Fund.

Since the city was only authorized to receipt \$128,020 to the General Fund, this resulted in a \$21,980 shortfall to the City Park Construction Fund. In addition, the city did not transfer accrued interest of \$2,206 to the Bond Redemption Fund.

These conditions were primarily caused by an improper allocation of bond proceeds and, to a lesser extent, use of both the General and City Park Construction Funds for these projects.

We recommend city officials ensure bonds proceeds are allocated in accordance with the bond covenants.

We further recommend city officials transfer \$21,980 from the General Fund to the City Park Construction Fund and \$2,206 from the City Park Construction Fund to the Bond Redemption Fund.